DEPARTMENT OF DEFENSE

COMPETITIVE SOURCING PROGRAM

DEFENSE ACQUISITION UNIVERSITY SOUTH REGION
ANNUAL CONFERENCE AND EXPO
HUNTSVILLE, ALABAMA
18-19 FEBRUARY 2004

"CONTRACTING: SMART BUSINESS FOR MISSION SUPPORT"

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Bush Administration Impacts on A-76

- **President's Management Agenda (PMA)**
  - ✓ **Objective**
    - Improve management and performance of Federal Government
  - ✓ **Five Government-wide Initiatives**
    1. Strategic Management of Human Capital
    2. Competitive Sourcing
    3. Improved Financial Performance
    4. Expanded Electronic Government
    5. Budget and Performance Integration

DoD COMPETITIVE SOURCING PROGRAM EXECUTION TRENDS

Source: DoD CAMIS Data FY95-FY03 Decisions

- Completed Competitive Sourcing Initiatives = **1,207 (88,131 spaces)**
  - ✓ 504 Cost Comparisons + 651 Direct Conversions + 52 Streamlined Comparisons
- Results of All Competitive Sourcing Decisions
  - ✓ **45% In-house (55% of spaces) & 55% Contract (45% of spaces)**
- 69% of Contract Decisions via A-76 are Small Business Awards
  - ✓ 448 of 654 initiatives and 14,133 of 39,851 spaces
  - ✓ For Cost Comparisons with Contract Decisions, 64% awarded to Small Business
    - 106 of 166 initiatives and 8,324 of 27,727 spaces
  - ✓ For Direct Conversions, 70% awarded to Small Businesses
    - 341 of 487 initiatives and 5,756 of 12,071 spaces

DoD COMPETITIVE SOURCING PROGRAM
COST COMPARISON EXECUTION TRENDS
Source: DoD CAMIS Data FY95-FY03 Decisions

Results of 504 Cost Comparison Decisions

- In-house Decisions = 67% (62% of spaces)
- Contract Decisions = 33% (38% of spaces)
- 37% Average Pre- versus Post-MEO Manpower Reductions (Regardless of Decision)
- Average Cost Comparison Duration
  - ✓ Single Function Cost Comparison= 20 Months
  - ✓ Multi-Function Cost Comparison = 36 Months
- Impact of Size on Cost Comparison Decisions
  - ✓ Large Cost Comparisons (>99 spaces) = 66% In-house and 34% Contract
  - ✓ Small Cost Comparisons (<100 spaces) = 67% In-house and 33% Contract
- Disputes For 504 Cost Comparison Decisions (Disputes = Appeals/Protests)
  - ✓ 170 Decisions Appealed Under A-76 Administrative Appeal Process
    - 66% Not Appealed

OMB Circular A-76

Performance of Commercial Activities

May 29, 2003

OMB Circular A-76

Eliminated Requirements

- Direct Conversions
- Conditions permitting government performance of CAs
- Conditions permitting contract performance of CAs
- Requirements for competition of Interservice Support Agreements Requirement for MEO team to develop
  - ✓ As-Is Organization
  - ✓ TPP
  - ✓ QASP
  - ✓ Transition Plan to contract or ISSA performance
- Technical Leveling of MEO
- Independent Reviews
- Administrative Appeal Process
- Post-MEO Performance Review

OMB Circular A-76
New Format & Terms

- **Three-Page Circular with Attachments**
  - Attachment A – Inventory
  - Attachment B - Public-Private Competition
  - Attachment C - Calculating Public-Private Competition Costs
  - Attachment F –Acronyms and Definition of Terms
- **Change to Key Terms:**

NEW TERM	OLD TERM
Competitive Sourcing Official	9.a. Official
Standard Competition	Cost Comparison
Streamlined Competition	Streamlined Cost Comparison, Direct Conversion
Agency Performance	In-house Performance
Agency Tender	In-house Offer
Agency Cost Estimate	In-house Cost Estimate
Agency Tender Official	MEO Certifying Official
Fee-for-Service Agreement	Interservice Support Agreement
Public Reimbursable	ISSA Provider

OMB Circular A-76

- **Purpose**
  - ✓ Establishes federal policy for the competition of commercial activities
- **Supersedes**
  - ✓ OMB Circular Number A-76 (Revised 1999)
  - ✓ Supplemental Handbook to OMB Circular A-76 (Revised 2000)
  - ✓ OFPP Policy Letter 92-1, Inherently Governmental Functions (23 Sep 92)
- **Authority**
  - ✓ Reorganization Plan No. 2 of 1970 (31 U.S.C. § 1111)
  - ✓ Executive Order 11541
  - ✓ Office of Federal Procurement Policy Act (41 U.S.C. § 405)
  - ✓ Federal Activities Inventory Reform Act of 1998 (31 U.S.C. § 501 note)

OMB Circular A-76
Comparison of Old vs New Policy

NEW CIRCULAR

- ***The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition.***

OLD CIRCULAR

- ***Achieve Economy and Enhance Productivity***
  - ✓ Competition enhances quality, economy, and productivity
  - ✓ If private sector performance of a commercial activity is permissible, a cost comparison between government and private sector performance is required
- ***Retain Governmental Functions In-House***
  - ✓ If functions are so intimately related to the public interest, government performance is mandated and the functions are inherently governmental
  - ✓ Inherently governmental functions are not in competition with the private sector
- ***Rely on the Private Sector***
  - ✓ The government shall rely on the private sector for commercial services and products

OMB Circular A-76
Policy (Summarized)

FEDERAL AGENCIES SHALL:

1. Perform inherently governmental activities with government personnel
2. Use streamlined/standard competition to determine if govt may perform CA
3. Apply the FAR and circular for streamlined and standard competitions
4. Comply with procurement integrity/ethics/ standards of conduct/18 USC § 208
5. Designate CSO in writing with agency responsibility for implementing circular
6. Require full accountability of officials in annual performance evaluations
7. Require accountability of officials in annual performance evaluations
8. Centralize oversight, allocate resources, and post best practices on SHARE A-76!
9. Develop government cost estimates using COMPARE, not agency budgetary costs

OMB Circular A-76
Scope (Summarized)

- **Except as otherwise provided by law, circular applies to all agencies**
- CSO may exempt a commercial activity performed by government personnel from performance by the private sector CSO (without delegation)
- **Must receive prior written OMB approval to deviate from this circular and include deviations in public announcements and solicitations**
- Streamlined/standard competition not required to contract a new requirement or segregable expansion, or to continue contract
  - Required to determine if government personnel should perform
- **CSO identifies competition savings in agency budget**
- Circular is not to be construed to alter any law, executive order, rule, regulation, treaty, or international agreement
- **Do not interpret noncompliance as a substantive or procedural basis to challenge action/inaction except as stated in Atchs A & B**
- DoD CSO (without delegation) determines if circular applies to DoD

Attachment A

Inventory Process

OMB Circular A-76
Inventory Process

- **Inventory Requirements**
  - ✓ Three Inventories & Summary Due Annually to OMB by June 30
    1. FAIR Act Commercial Activities
    2. Non-FAIR Act Commercial Activities
    3. Inherently Governmental
- **Categorize Activities as Inherently Governmental or Commercial**
- **Commercial Activity Reason Codes**
  1. Restricted from Contract Performance by CSO Written Determination
  2. Is Suitable for a Streamlined or Standard Competition
  3. Is Subject to an In-Progress Streamlined or Standard Competition
  4. Is Performed by Government Personnel as a result of competition
  5. Pending Agency Approved Restructuring Decision
  6. Restricted From Contract Performance by Legislation

Attachment B

Public-Private Competition

Public-Private Competition

Preliminary Planning

- **Required Actions**
  - ✓ Scope of Competition
  - ✓ Grouping for Competition
  - ✓ Workload Data and Systems
  - ✓ Baseline Costs
  - ✓ Type of Competition
  - ✓ Competition Schedule
  - ✓ Roles & Responsibilities of Participants

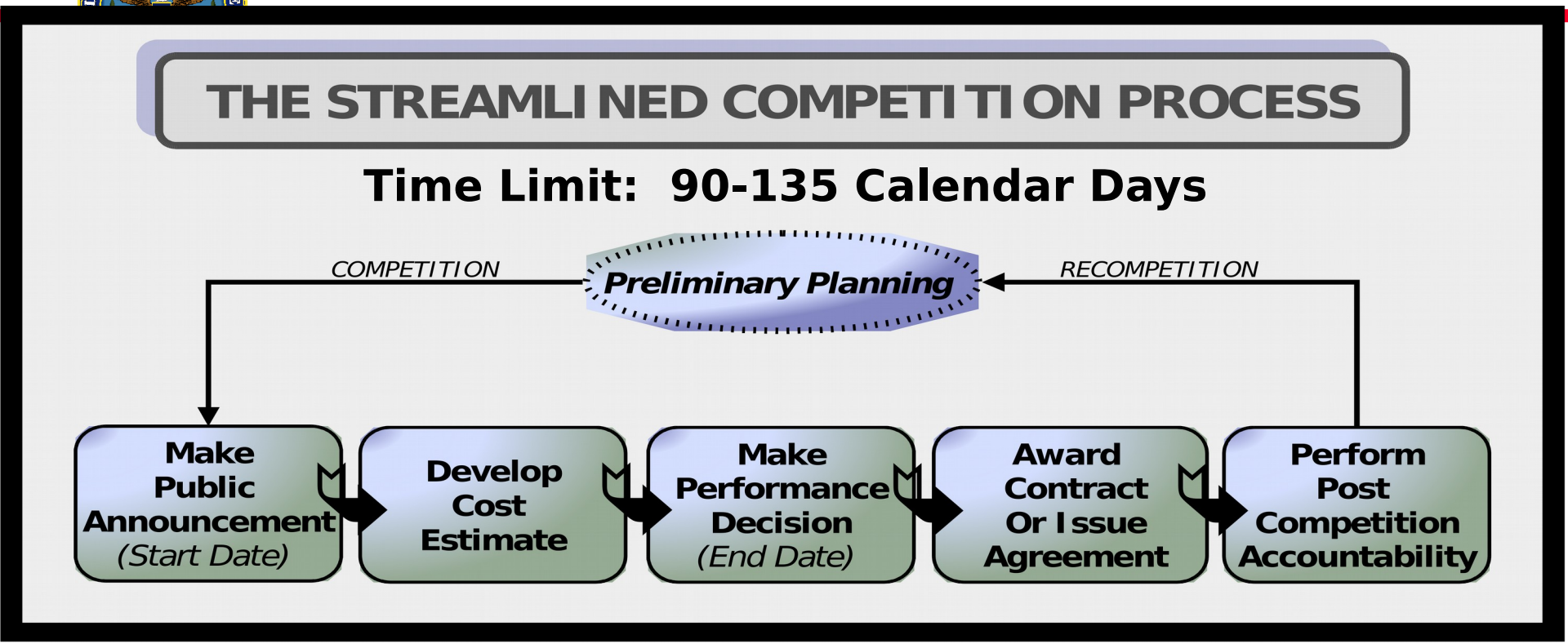
- **Competition Officials**
  - ✓ Agency Tender Official
  - ✓ Human Resource Advisor
  - ✓ Contracting Officer
  - ✓ PWS Team leader
  - ✓ Source Selection Authority (SSA)

Public-Private Competition

Required Public Announcements

- **Start Date**
  - ✓ Public Announcement Date
  - ✓ Congressional Notification Date (DoD Only)
- **End Date**
  - ✓ Performance Decision Date
  - ✓ Tentative vs Final Decision
- **Cancellation of Competition**
  - ✓ OSD CSO approval required
- **Cancellation of Solicitation**
  - ✓ Does not cancel competition
  - ✓ Must consider time limits

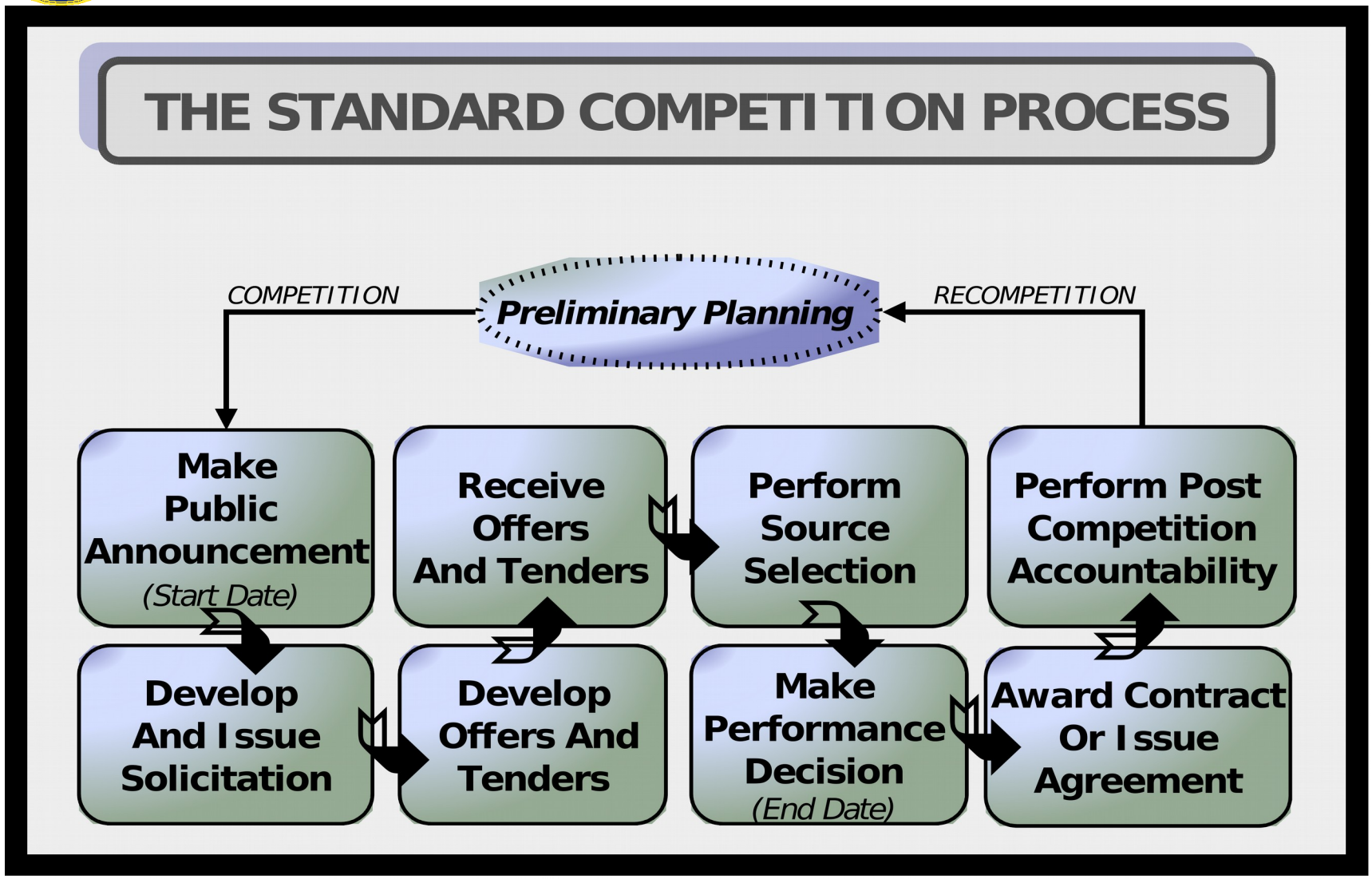
Public-Private Competition
Streamlined Competition Process



- Basis for Decision: Streamlined Competition Form (SLCF)
- SLCF Preparation Firewalls & Certifications Required
- Agency Cost Basis: MEO or Incumbent Organization
- Private Sector Cost Basis: Solicitation or Market Research
- Public Announcement of Performance Decision & Then Implement It
- Contests Not Permitted

Public-Private Competition

Time Limit of 12-18 Months



Public-Private Competition_
Standard Competition

- **Public Announcement = Start Date**
  - ✓ PWS, MEO, & SSEB Teams Appointed
- **Solicitation Developed & Issued**
  - ✓ Solicitation Requirements Clearly Stated in Revised Circular
    - Review & Release of Information
    - Provisions Cited or Clarified
      - FAR, Acquisition Process, Source Selection
      - Unique to Agency Tender
    - Performance Periods & Solicitation Closing Date
    - Government-Furnished Property & Common Costs
    - Phase-in Plan and Quality Control Plan Required
    - Competition File Maintained
- **Responses Developed After Solicitation Issued**
  - ✓ Agency Tender & Public Reimbursable Tenders
    - Developed and Submitted Based on Solicitation
    - Additional Requirements include MEO, Agency Cost Estimate
  - ✓ No Satisfactory Private Sector Source

Public-Private Competition_
Standard Competition

- **Source Selection Processes**
  - ✓ Sealed Bid Acquisition
  - ✓ Negotiated Acquisition
    - Lowest Price Technically Acceptable
    - Phased Evaluation
    - Tradeoff Decision Based on Either Low Cost or Other Than Low Cost
    - Evaluations, Exchanges, Deficiencies
    - Price Analysis & Cost Realism of Cost Proposals & Estimates
- **Performance Decision**
  - ✓ Standard Competition Form Certification Date = End Date
  - ✓ Debriefing & Release of Certified Standard Competition Form
  - ✓ Release of Agency and Public Reimbursable Tenders
  - ✓ Implementing the Performance Decision
    - Contract & the Right of First Refusal
    - Letter of Obligation to the MEO Official
    - Fee-For-Service Agreement to a Public Reimbursable Provider
- **Contests Permitted -- FAR Subpart 33.103**

Streamlined and Standard Competition

Post Competition Accountability

- Best Practices and Lessons Learned (Share A-76!)
- Execution Tracking of Each Public-Private Competition (CAMIS)
- OMB Quarterly Reporting
- Performance Monitoring Similar to Contract
- Option Years of Performance
- Follow-on Competition
- Terminations
  - ✓ Based on Failure to Perform
    - Notification, Termination, and Temporary Remedies
  - ✓ Based on Reasons Other Than Failure to Perform

Attachment C

Calculating Public-Private Competition Costs

Calculating Public-Private Competition Costs

- Compliance with Attachment C Required
  - ✓ DoD A-76 Costing Manual
- COMPARE Requirement for All Agencies
  - ✓ Two Phased Software Update
    - Phase I (Available)
      - Majority of Changes Automated
      - Some Required Written Workarounds
    - Phase II (Availability TBD)
      - Automation of Changes Completed
  - ✓ Future Features for FY 2004
    - Baseline Costing Calculation
    - Export to Tracking Systems (DCAMIS)
  - ✓ FY 2004 COMPARE Revalidation by Army Audit Agency

QUESTIONS?

DEPARTMENT OF DEFENSE
Competitive Sourcing Program

VISIT
SHARE A-76!
The DoD A-76 Knowledge Management Web Site at
emissary.acq.osd.mil/inst/share.ns